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NOMINATION OF PAUL D. WOLFOWITZ

HEARING

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

NOMINATION OF PAUL D. WOLFOWITZ, OF THE DISTRICT OF COLUMBIA, TO BE ASSISTANT SECRETARY OF STATE, EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE

DECEMBER 9, 1982

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NOMINATION OF PAUL D. WOLFOWITZ

THURSDAY, DECEMBER 9, 1982

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 4221, Dirksen Senate Office Building, Hon. S. I. Hayakawa presiding.

Present: Senators Hayakawa, Helms, Pell, and Biden.

Senator HAYAKAWA. The committee will come to order.

The purpose of the hearing today is to examine the fitness of Paul D. Wolfowitz to serve as Assistant Secretary of State for East Asian and Pacific Affairs.

Mr. Wolfowitz, it is a pleasure to welcome you back to the Committee on Foreign Relations. I am told that you are accompanied by Mrs. Wolfowitz. How nice to have you here. And it is also a pleasure to extend to her a very warm welcome.

I understand that you have a brief opening statement to make, Mr. Wolfowitz. We shall turn to that in a moment.

But first, I would like to comment on the scene in the western Pacific as I have observed it over the period of my tenure as chairman of the Subcommittee on East Asia.

U.S. interests in the vast Pacific Basin are extensive and important. The Pacific not only provides ocean access to the western reaches of our continent for the tremendous trade which we have with our friends in Asia, but it also connects us with the Indian Ocean and the Persian Gulf, where lies so much of the oil needed to sustain our economy and the economies of our friends and allies.

The Pacific also constitutes the eastern border of the Soviet Union, as we all know, and thus provides the ocean access to the Russians to threaten our interests in the area. As I observed more than 18 months ago during the nomination hearing of your predecessor, Ambassador Holdridge, the Soviets continue to occupy several Japanese islands, their military forces utilize bases in Vietnam, their extensive fleet steams the waters of the western Pacific and the Indian Ocean, and their assistance supports the tragic occupation of Cambodia by the Vietnamese. The Pacific also borders, of course, China, and Taiwan where our relationships have been troubled and difficult for more than a decade.

With these observations in mind, I would conclude that the agenda for East Asia is a complex, difficult, and challenging one. But I would also counsel that we have many friends in the Pacific basin and elsewhere, who are able and willing to cooperate with us in protecting our interests and theirs in a spirit of partnership and equality:

Two of our oldest and closest allies are Australia and New Zealand.

Our relations with Japan are solidly based and generally cordial.

We are old friends of long standing with Korea and Taiwan.

We work closely, both politically and economically, with our ASEAN friends, Indonesia, Malaysia, Singapore, Thailand and the Philippines.

It will be your challenge, Mr. Wolfowitz, to pursue policies in the Pacific, one of the most important areas of the world, that will help develop its great potential for the future.

I welcome you again to the committee, Mr. Wolfowitz. If you have a statement to make, Mr. Wolfowitz, you are welcome to make it now.

STATEMENT OF PAUL D. WOLFOWITZ, NOMINEE TO BE ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS

Mr. WOLFOWITZ. Mr. Chairman, I just have a few short acknowledgments I want to make.

I would like to take this opportunity to publicly thank the President for having nominated me for this extremely important and challenging assignment and also to express publicly my thanks to Secretary Shultz for having shown his confidence in me.

I would also like to thank this committee and you particularly, Senator. I appreciate that my nomination papers have only recently come up, and in fact, you are making special efforts to try to get this appointment heard during this brief lameduck session. I am very grateful for that.

But there is an even larger debt of gratitude I would like to express not only on my behalf but on the behalf of, I would say, every single officer I have met in the State Department who works on Asian affairs. And that's to you, Senator, for your role as the chairman of the Asian Subcommittee here on the Foreign Relations Committee, and throughout your distinguished Senate career, in promoting stronger U.S. relations with that vital part of the world.

I have admired your previous career as one of the fighters for academic freedom, and I have admired your career in the Senate, and I hope, sir, that even after you leave the Senate we will be able to use your services in building stronger relations in Asia.

Senator HAYAKAWA. Thank you, Mr. Wolfowitz.

Mr. WOLFOWITZ. I would like to make one last acknowledgment of thanks, and that's to the many people who have worked for me in my present job and in my previous job. I think they have ended up letting me get a lot of credit that is their due. I have to take this occasion to thank them because without the work they had done for me, I doubt that I would be here today to be considered for what really, I think, is one of the most exciting assignments one could have.

I don't think I really need to elaborate on that much. You have already said it, Senator. The Asian area is one of the most important areas for our foreign policy. I have had the opportunity both in my previous work in the Department of Defense—and even more so in my present position as the head of the policy planning staff—not only to get into the details of Asian issues but, even more importantly, to appreciate how large Asia looms in our overall interests and to appreciate the dynamism of that region, the incredible economic growth of that region, the fact that as important as Asia is in our policy today, it seems certain to be even more important 10 years from now.

The challenge of addressing those problems and promoting U.S. interests throughout the Asian and Pacific region is one that, if confirmed by the Senate, I very much look forward to working on.

Senator HAYAKAWA. Thank you.

I have a question or two to ask you, if I may proceed.

Before we had your nomination, Mr. Wolfowitz, we had scheduled a hearing this morning on the sale of Alaskan oil to Japan. That hearing was canceled when the scheduling of the witnesses did not permit their appearance, we were told.

As you may know, I introduced legislation lifting the restrictions contained in the Export Administration Act on the sale of Alaskan crude oil. My proposal would have given the President the authority to export Alaskan oil to Japan in exchange for a similar amount of oil from Mexico. If carried out, the proposal could have reduced transportation costs and generated Federal tax revenues while at the same time enhancing bilateral relations with Mexico as well as with Japan, and reducing our imbalance of trade with Japan.

The Japan-United States economic relations group, commonly known as the Wisemen's Group, strongly endorsed the concept of U.S. sales of crude oil to Japan.

What is your view of this proposal? What foreign policy benefits could we expect from a removal of the export restrictions? What would be the costs and benefits from an economic point of view?

Mr. WOLFOWITZ. Senator, I can assure you that this is a proposal that is getting a great deal of attention, and very serious attention, within the executive branch. It is not something that is being ignored, and I believe your expressions of views have played a big role in the consideration.

There clearly are some real plusses to the idea, and not only, I think, in foreign policy terms, but it could be of some benefit to our current trade balance right now. But there are, of course, complications and there are domestic considerations.

It is a very difficult weighing that has to go on. I think the administration is coming to its position, and of course congressional views have to come into account on this. I think in the circumstances I would prefer not to give you a definitive personal view, but I can assure you this is an idea that has already received quite a bit of my attention and will receive a lot more.

Senator HAYAKAWA. It has distressed me very much. It was my bill, and more than once we have tried to schedule hearings for it, and more than once those who were supposed to testify withdrew before the scheduled time of the hearing. Somehow or other, it is as if some higher power is just insisting that those hearings not be held.

The Export Administration Act comes under congressional review in the spring next year, and the issue will undoubtedly be addressed in detail at that time.

Has the Department of State reached a position on this issue? And in your capacity as Assistant Secretary of State for East Asian and Pacific Affairs, will you work within the administration to have the restrictions lifted? Or perhaps it is unfair to ask this question of you now. Would you prefer to answer this after you are confirmed?

Mr. WOLFOWITZ. Well, Senator, again, as I say, the delay is a measure of the strong advocacy on both sides on this issue. And I believe

many of the specifically Asian arguments argue strongly on the side of your proposal, and certainly I would want to make sure that that point of view gets heard very clearly.

Senator HAYAKAWA. Let's go on to something else.

Secretary Weinberger, on his recent trip through Asia, was reported to have heard several Asian expressions of concern about a potential Japanese military buildup. We, the United States, have been trying to persuade the Japanese to build up their defenses and "do their share" by defending themselves adequately.

That simply makes other Asian nations a little nervous because of their experience with the Japaneses during World War II.

How do you intend to factor in these concerns while at the same time continue to urge Japan to increase its contributions to Western security?

Mr. WOLFOWITZ. Well, Senator, in fact, I think the Washington Times noted in an editorial the other day that it is a measure of what a remarkable transformation of United States-Japanese relations has taken place that 41 years after Pearl Harbor the United States is urging Japan to do more in this area.

Indeed I think it is a dramatic measure of the health of the relationship. Those Asian concerns that you mention are ones that we have really been very conscious of for quite some time, and are factored into the whole approach to Japanese defense spending. We are not talking about rearming Japan on the scale of past history. What we are talking about—and I think these are the two concerns that friends in Asia have—is, first of all, getting Japan to more fully provide for its own self-defense. We are talking about purely defensive capabilities.

In the second place, we are talking about Japan doing that so that the United States can play a stronger role in Asia, not so that the United States can withdraw. In fact its those two concerns which trouble other Asian nations the most. They may talk to us about the Japanese; but they are also a little nervous about us. I think to some extent they express these concerns so that we keep on the course we are on, the defensive buildup and American commitment in Asia. All that we can do is keep telling them that's what we are doing. I think it has a reassuring effect.

Senator HAYAKAWA. While we are on the subject of defense, I will ask one more question about that, and then I will ask my friend and colleague, Senator Helms, to ask his questions.

Your staff has received a copy of the resolution on Japanese defense spending now cosponsored by Senators Percy, Hayakawa, Glenn, and Levin. We hope to have this resolution considered in committee before the session ends.

Have you had an opportunity to read this resolution, and would you support its passage?

Mr. WOLFOWITZ. I have read that resolution, Senator. I have no disagreement with the spirit of the resolution. In fact, as I understand the general spirit of it, it is very much the kind of thing I have been personally heavily involved in ever since the time I was in the Pentagon.

I believe the resolution also calls attention to the importance of Japanese contributions in the foreign assistance areas as well as the defense area. In fact, that's a point on which I believe we have made

quite a bit of important progress. Japan provides foreign assistance to Egypt, for example, which contributes significantly to stability in the Middle East. We would like to see more of this type of contribution.

I think if I had a single central concern about the resolution, it really comes down to what is the continuing issue, and that is, what is the best way to achieve the common goals that we agree on? And there I feel one has to be very strong in private, and indeed I have been. But one has to be very careful in public about appearing to interfere in not just the internal affairs of a foreign country, but a very sensitive matter for the Japanese.

Senator HAYAKAWA. Thank you. Would you reword that resolution?

Mr. WOLFOWITZ. I would take a close look at it and if I could get back to you with—there might be some changes I might propose.

Senator HAYAKAWA. I would be grateful for any editing you might do on it if you feel it is necessary.

Senator Helms, do you have some questions?

Senator HELMS. I have a few, Mr. Chairman. Thank you very much.

Mr. Wolfowitz, you have served in the Bureau of the Budget, ACDA, with the Department of Defense and now with the State Department. Is that correct?

Mr. WOLFOWITZ. That's correct, sir.

Senator HELMS. A most impressive background. Let me ask you a few questions and if I am double tracking what Senator Hayakawa has already asked prior to my arrival, I apologize for that. Does the United States recognize the sovereignty of the People's Republic of China [PRC] over Taiwan, Matsue, and the related islands?

Mr. WOLFOWITZ. The United States takes no position on the sovereignty issue. That has been our position since the time of normalization and it hasn't changed. Basically our view is that the differences between the People's Republic of China and Taiwan are a matter for the Chinese to resolve themselves.

Senator HELMS. That leads me into my second question. Does the Government of the Republic of China sitting in Taipei exercise sovereignty in any way over these same territories, and I am referring to Quemoy, Matsue, and related islands?

Mr. WOLFOWITZ. Again, Senator, our position is that on this issue of sovereignty we have taken note of the positions of both sides but we do not take a position of our own.

Senator HELMS. That's not exactly what I asked you. I said, does the Government of the Republic of China, sitting in Taipei, exercise sovereignty over these islands?

Mr. WOLFOWITZ. But, Senator, the United States does not take a judgment on whether they exercise sovereignty.

Senator HELMS. That's an interesting answer. Let's go at it another way. Does national sovereignty depend upon recognition of what sovereignty by another government or upon the actual exercise of the attributes of sovereignty, that is to say, national defense, civil order, so forth? Can you answer that?

Mr. WOLFOWITZ. You are getting into elements of international law that are beyond my depth, frankly. But I would say, and I think this is the important thing, that the President has made very clear in his policy and the Congress has made very clear with our law, with the

Taiwan Relations Act, leaving aside these, I admit, important legal issues, there is a rich, important unofficial relation with the people of Taiwan that we seek to preserve and develop to the maximum extent possible.

Senator HELMS. I am not trying to box you in, but I think we need to discuss this issue with everybody who is going to be or is in a policy-making rôle in foreign policy. You would agree that the exercise of sovereignty ultimately has to depend upon the ability to defend that sovereignty? That's commonsense, isn't it?

Mr. WOLFOWITZ. I suppose it is.

Senator HELMS. Do you have any doubt about it?

Mr. WOLFOWITZ. Senator, the whole issue of sovereignty I know fills up legal textbooks. To me the really important thing—maybe this is just too much a pragmatic American attitude—but I think the substance is important, and I think what we have tried to do is emphasize substance and in particular to preserve the one crucial line of form, that our relations with Taiwan remain unofficial and that we recognize the People's Republic of China as the sole legal Government of China. Beyond that we do not get into the legal issues.

Senator HELMS. I confess that my line of questions is prompted by strong support of our ally, long-time faithful, unyielding, the Republic of China. But I think it is obvious that Taiwan is demonstrating its sovereignty by its ability to assume a defense posture.

Mr. WOLFOWITZ. Could I just add something there, Senator. On the whole issue, without relating to the specific sovereignty issue, I think the President has made clear, and most recently when he signed the joint communique with the People's Republic of China, that we remain committed to the requirement under the Taiwan Relations Act to provide Taiwan with those arms necessary for its self defense, and I think that is important. I don't want to put it under any legal rubric other than the law this Congress in its wisdom passed.

Senator HELMS. I agree with that and I agree with what I believe to be the intent of President Reagan, with whom I have talked extensively about this matter. The supply of arms and self defense flows over into the sovereignty issue, whether we like it or not, because in the final analysis a type of recognition of free China's political sovereignty over the territories it governs depends on the ability to defend.

Now, the theory of the China card, as I understand it, is that we can keep the Soviet Union tied down by the necessity to deploy military forces on its borders with China if we can induce China to remain in a hostile stance. I understand that theory, but I am not sure it's plausible. We may wake up one morning and find out that we have been betting wrong.

But in any case, assuming that the China card theory is valid, do we have any other significant national security interest in common with Communist China?

Mr. WOLFOWITZ. Senator, if there has been any one issue that has preoccupied me throughout my career in the Government, it has been the question of the problem of growing Soviet power, and not only the growing Soviet power but their disposition to use it directly or by proxy. I have worried a lot about that problem. I see China as important to us in dealing with that problem.

That doesn't mean I agree with every conclusion—and I think there are some foolish conclusions—drawn from the consequences of China's importance in that role. For example, I think it is a mistake to think of China as a card to be played as a reward or punishment for Soviet behavior. I think it is a mistake to think that we are the ones who caused China to resist the Soviet Union. It is the Soviet Union and its actions that produced that.

When all of that is said, I think the fact remains that Chinese concern about Soviet intentions, which is profound and has great justification, is going to be an enduring factor in China's foreign policy and therefore in China's relations with us. It will create common interests on many issues—not consistently and not all the time—but it will create common interests on many issues, for example, as it does now in Kampuchea and Afghanistan. It is important to us to work with the Chinese on those common interests. I must say, however, that shouldn't lead to illusions about deep political differences and deep differences in the kinds of systems that we have.

Senator HELMS. I don't disagree with what you said. But I also think by the way you answered the question that you can identify no other common national security interest that we have with Red China other than the Soviet Union.

Mr. WOLFOWITZ. No; I think if one simply looks back at the horrible Korean war period, one can see the interest we have in not going back to that period of hostility with China. I think that China, as a matter of fact—whatever argument one might make about China's global importance—is unquestionably of great importance in the region and I believe on the whole the policies that China has followed in Asia in the last years have, on the whole, contributed to stability in the region. And I would say particularly in Southeast Asia.

Senator HELMS. There have been some dramatic developments with respect to both Red China and the Soviet Union with the new party chairman in China and the rise of Andropov. During that period, since these things have happened, we have seen a common effort in these two Communist countries to normalize relations.

Here is what bothers me. Is it possible that the Soviet Union is now playing a China card against us?

Mr. WOLFOWITZ. It is possible that that is what they have in mind, Senator. If so, the best prescription to that is to keep our cool, and to remember that basically it is our own strength and the strength of our allies that we rely on.

But I also think that one shouldn't rush in with too much premature speculation about what is actually going on in the talks or what will actually come out of them. There is an awful lot of tension between those two countries and they could, for example, begin a little bit of trade and there would still be many problems between them.

Senator HELMS. I don't know which is worse, premature speculation or belated reality. You have to decide that by hindsight.

You mention we have to have our allies, and that brings me back to one of the most faithful allies of any nation all history ever had, Taiwan. Do you see any reason why we should not have a direct liaison office in Taipei?

Mr. WOLFOWITZ. Senator, that's the one point that I think we wanted to be very clear about at normalization, that is, that our rela-

tions with the people of Taiwan from that point on are unofficial relations and that we want to avoid things that seem to give an appearance of officiality. There has been an enormous growth in the substance of those relations since that time.

I believe in the period between 1978 and 1982, Taiwan's foreign trade nearly doubled and its trade with the United States increased substantially during that period. That's just one measure of what we mean when we say close substantive relations.

And it also means close communication through unofficial channels. I think those communications have been full and adequate, and I think all the business we need to do gets done.

Senator HELMS. Notwithstanding all that, before there was recognition of Red China we had such an office in Peiking, didn't we?

Mr. WOLFOWITZ. That was precisely the issue at normalization; that we recognize the People's Republic of China as the sole legal Government of China.

Senator HELMS. Are we dealing in non sequiturs here? I will let you go.

Senator Hayakawa discussed Japan and its defense posture. I met in Geneva a couple weeks ago with a Japanese delegation to GATT [General Agreement on Tariffs and Trade], a very fine trio of gentlemen. We talked about Japan's defense posture a little bit, and as I understand, and correct me if I am wrong, Senator Hayakawa, it is about 1 percent of its GNP [gross national product]?

Mr. WOLFOWITZ. Its actually slightly less than that.

Senator HELMS. Less than that?

Mr. WOLFOWITZ. Slightly.

Senator HELMS. Is Japan the free world nation with the least effort to help in common defense? Is there any other nation spending less than 1 percent?

Mr. WOLFOWITZ. If you measure the percent of GNP, I am not sure I could speak of all countries, but among industrialized countries, that is the lowest percentage. If you look at the totals they spend, given Japan's GNP, it is quite a substantial sum. As Senator Hayakawa said earlier, there are some distinct limits on what could happen if Japan were to go to very high levels of defense spending.

Senator HELMS. Well, I won't——

Mr. WOLFOWITZ. On that point, I would like to make two comments. One, I think the whole question of our relationship with Japan and the many broad elements of it, including the defense issue, including the trade issues, including foreign assistance, are in many ways my first priority in this job if I am confirmed. I think Japan already plays an enormous and important and positive role in supporting our interests in Asia and globally. I think there is a lot more that Japan with its enormous economy can do, and I think we need to push them very hard to fulfill their responsibilities. A second, on this particular point about percent of GNP, I would just caution that we are not interested in them spending some arbitrary percentage or simply even in just their spending money. What we are interested in is their having certain specific capabilities and they have gone a long way in defining those capabilities with a fair amount of advice from us. And I think, in fact, we would agree that what we have in mind over their next mid-term defense program would make a very real contribution to their ability

to play a vital role by being able to handle their self defense better.

If anything, our real effort is to try to get them to reach that point sooner rather than later. I just stress that our focus is on getting them to acquire specific capabilities, not to focus on some arbitrary percentage of GNP which could be squandered on many useless things if they chose.

But certainly the thrust of your question, the fact that Japan can do more, that we have clearly identified additional things that Japan can do, I agree with very strongly.

Senator HELMS. Well, I took note of your distinguished career. You have never had a more significant responsibility than the one that you are moving into now.

Mr. WOLFOWITZ. I am very aware of that, Senator.

Senator HELMS. I had no problem at all understanding our Japanese friends in Geneva, nor did they have any difficulty understanding us. It was a very amicable feeling. My impression is that they want to operate in good faith and I think we ought to do the same, each making clear our positions.

Now, my final question. I hear frequently. as you do, that the Mutual Defense Treaty with Japan is unbalanced, one sided. In light of the major strategic changes in the areas we have discussed, do you think it is time to discuss the revision of the treaty with Japan to match the new realities of today?

Mr. WOLFOWITZ. Senator, it is an important issue, on which one should keep an open mind. But my strong feeling is that I see no need for that now. I think it is terribly important to keep perspective. It is, whatever the content of it, an unusual treaty. It was developed largely under American guidance. We had a lot to do with shaping it for reasons that stem from an incredible wartime experience.

I think we should be very careful in approaching major changes, especially since—and this is the central point—I believe that the present arrangement provides the scope for everything we have identified that needs to be done.

As I said before, the biggest question is not that we disagree with the Japanese about what we would like to see them do; we disagree with the pace at which they are getting there. They are able under that treaty to do substantially more in the self defense of Japan and that is what we want to see happen.

I think if you start to talk about revising the treaty or revising more fundamental political arrangements, you press very hard on those nerves that Senator Hayakawa mentioned earlier of our other friends in Asia, and I am not quite sure where all of this is going to end up.

So I would, at this point. say we have a good framework. It is a matter of making it work better.

Senator HELMS. I appreciate your responses to the questions, sir, and I wish you well in your new work. I want to discuss that later with you some. Maybe you could persuade me that we ought to have a closed mind about changing it. Maybe you can't. But anyway, it will be fun to discuss it.

Mr. WOLFOWITZ. I will look forward to working with you, Senator.

Senator HELMS. Mr. Chairman, thank you very much for letting me

ask these questions. Now I shall go to our other committee, the Agriculture Committee. Secretary Block is going to be there. Thank you very much.

Senator HAYAKAWA. Thank you, Senator Helms. About trade, let me ask, Mr. Wolfowitz, we hear a lot about retaliatory protectionism. The United Auto Workers had a full page ad saying that Datsun and one of the other auto companies ought to have their plants in Detroit and Texas or somewhere. This is really quite a putdown of American automobile manufacturers, welcoming Datsun to Detroit and Toyota to Texas, instead of insisting that American auto companies expand their production there.

But there is a lot of talk about retaliatory protectionism.

Mr. WOLFOWITZ. If I could express a personal view on that, I think it is a very dangerous road to head down. I think a lot of things that pose in the guise of job creation have a lot of job destruction potential. We may lose some jobs to imports, but we also get an awful lot of jobs from exports as well. Those will be at risk if we begin to go down this road where each country closes off the imports from other countries.

The United States has an enormous stake in this free trading system which I think everyone in this room must be acutely aware is under heavy attack now. I think the answer lies not in that retaliatory protection route. The answer lies partly in improving our own competitiveness, because in some places it is just a matter that we need to do better. But the other part is to make other countries do better on the free trade issue, not simply close up our markets.

Senator HAYAKAWA. There are some things that are so irritating that one is almost driven into a desire for some kind of retaliatory protectionism. Sunkist oranges cost 25 cents each in Hong Kong; $2 a piece in Tokyo because of the elaborate protection of nontariff barriers. When there is a law in Japan that says American cigarettes may not be displayed on top of the counter at a tobacconist but under the counter, so that the people are not likely to reach for them. And only a limited number of retailers are permitted to carry American cigarettes. These little harassments limit the sale of imported merchandise, so many of them in Japanese trade.

Well, actually they drive a businessman nuts and I cannot help having considerable sympathy for the orange grower and tobacco manufacturer, even if I don't smoke, at this kind of nontariff harassment.

Mr. WOLFOWITZ. I do too, Senator. The two issues you mention, citrus and tobacco, along with beef, are three of the big ones that we are very actively discussing with the Japanese now. As I said, one of my highest priorities, if confirmed in this job, is to work with my colleagues in the Commerce Department and United States Trade Representative [USTR], in pushing these issues and getting some progress on them because I think the answer is not retaliatory protectionism, it is more open markets.

Senator HAYAKAWA. We know that, but we have the open market and they don't.

Mr. WOLFOWITZ. They have opened in some respects. There is a long way to go. Again, one needs some perspective and a little bit of patience; maybe people are running out of it. But I don't give up on making some significant progress on those issues.

Senator HAYAKAWA. I have struggled with this in the Senate. It is a good thing I am leaving.

Senator Pell?

Senator PELL. I thank the chairman very much and would just take a moment of the committee's time. I would like unanimous consent to insert in the record a letter from a group of Senators to Mr. Watt on the general subject of the shipment of crude oil to Japan.

Senator HAYAKAWA. Without objection.

[The material referred to follows:]

UNITED STATES SENATE,
Washington, D.C., October 20, 1981.

Hon. JAMES G. WATT,
The Secretary of Interior,
Washington, D.C.

DEAR MR. SECRETARY: We understand that consideration is currently being given to the endorsement of legislation that would facilitate the export of Alaska North Slope crude oil. For reasons which encompass national security and economic well-being, we believe that any such proposal should be rejected.

In 1979, Congress adopted amendments to the Export Administration Act which continued the restrictions on the export of Alaskan oil that had been in effect since the construction of the Trans-Alaska Pipeline. At the same time, the amendments provided that exports could take place if they met consumer and national interests. These amendments, adopted by overwhelming votes of both Houses, provide a sound basis for determining whether an export of Alaskan crude oil should be permitted.

The export of Alaskan oil would increase the vulnerability of the United States to supply disruptions. In the event of an energy emergency, national security will require access to adequate supplies of crude oil. Entering into long-term agreements to export American oil in exchange for additional supplies of foreign oil will only serve to endanger our access to crude oil when we need it most.

In addition, the export of Alaska oil would not improve the U.S. balance-of-trade. Any oil exported would be replaced with an equal quantity of imported oil at the same price.

Finally, without the restrictions on the export of Alaska oil, it is certain that none of the savings that might be realized from an export will be passed along to American consumers.

The United States needs to improve its ability to refine and transport domestic supplies of crude oil. To the extent that the issue of exporting Alaska oil without restrictions continues to receive high-level government attention, efforts to expand refinery and pipeline capacity are undermined. Those oil companies that have already taken steps to handle Alaska North Slope crude find their investments jeopardized, while others are discouraged from risking such an investment.

We urge that you give these views consideration during your deliberations and hope that you will oppose any proposal to relax or eliminate the current restrictions on the export of Alaska oil.

Sincerely,

Max Baucus, Don Riegle, Harrison A. Williams, Jr., Howard M. Metzenbaum, Jim Sasser, Dennis DeConcini, Bill Proxmire, Jennings Randolph, Tom Eagleton, Alan Cranston, Quentin Burdick, Carl Levin, Claiborne Pell, John Melcher, Bill Bradley, James Abdnor, David Pryor, Walter Huddleston, George J. Mitchell, Ted Kennedy.

Senator PELL. And I have some questions here—I am needed at another meeting—to submit for the record, if Mr. Wolfowitz would be kind enough to answer them. And I would like to ask one question right now and the rest will be submitted for the record.

This question is quite urgent, I think, because as you know Congress has repeatedly expressed a national policy that Alaskan oil be used domestically. From time to time it has been suggested, usually by the Japanese, that we permit Alaskan oil to be exported to Japan.

However, a year ago the Cabinet Council on Natural Resources concluded that exporting Alaskan oil would jeopardize many billions of dollars in investment and would result in substantial unemployment.

At this time of recession, do you think these arguments against exporting Alaskan oil are more compelling than they were before, or would you be willing to express a view at this time?

Mr. WOLFOWITZ. We talked about this some before you came.

Senator PELL. I am well aware of it, but you were talking from another angle. I ask this question in full recognition of that fact.

Mr. WOLFOWITZ. I appreciate it. You are saying, in fact, times change and some of the arguments change. Of course, the arrangements on the trade balance side have changed also. The argument that one can do something for our exports by selling the oil is, as you say correctly, an issue that has to be assessed in light of present realities.

When all of that is said, it is one we are still grappling with and don't have a final view on.

Senator PELL. So no matter which side the shots are coming, you have the understandable view you should not take a position at this time?

Mr. WOLFOWITZ. That's correct, sir.

Senator PELL. I see your point, I must say. I ask that these other questions be submitted for the record with the request that Mr. Wolfowitz provide as detailed and specific responses as you can bring yourself to make.

Mr. WOLFOWITZ. I will be glad to, Senator.

Senator HAYAKAWA. Thank you, Senator Pell.

I would like to ask one more question before we close this hearing. As you know, I have been extremely interested in the ASEAN countries, Singapore, Philippines, Thailand, Indonesia, and Malaysia. And all these countries have a very promising future. I have often compared them, their state of industrial and economic advancement, to the condition that Japan was in around 1935. But they are on the verge of major development as industrial nations.

Now, let's take one example. How would you respond to the warnings of some nonexecutive branch experts that deteriorating internal conditions in the Philippines could produce a major crisis for the United States by the end of the decade unless steps are taken now to reverse the adverse economic and political trends? We can ask that kind of question about other ASEAN countries too, but let's pick on the Philippines in this case. There is always this criticism of the Philippines going on.

Mr. WOLFOWITZ. The Philippines is one of the most difficult cases, but before I answer your question on the Philippines, I agree with your general comment about the dynamism of that region. In the course of preparing for these hearings, in fact, I came on a statistic I hadn't seen before which to me is just spectacular. That is that Thailand has had a real rate of GNP growth that has averaged over more than a 20-year period, since 1955, 7 percent a year. That is spectacular.

I think the point can also be made, too, that the kind of growth and dynamism that one sees throughout most of ASEAN is part of the rea-

son that the political trends are as favorable and stable as they are. That brings us to the Philippines where the economic situation is not as bright as that.

I think, though, that the present economic troubles are largely of a temporary kind associated with a very difficult international market. Most of the prices of Philippine commodities are way down. The Philippines has a debt problem—I guess it is the most serious debt problem in ASEAN—but having looked closely at the really difficult problems in Latin America, Africa, and Eastern Europe, it makes the Philippines economy look quite healthy.

On this issue of the political conditions in the Philippines, I am aware of those experts who warn about the potential troubles from the New People's Army, which is the Communist group, or the Muslim insurgency, the Moros of Mindanao. My own experts in the State Department tell me that while the first of those is a cause of some concern, they don't see a major threat to stability in the foreseeable future, to the end of the decade. That may even be beyond the foreseeable future. I am not sure how far in the future one can see.

I think it is a kind of situation that bears very close watching. It is clear to me that the general political development, political progress of all the ASEAN countries is of enormous interest to regional stability and, therefore, the U.S. interest. I think we need to do everything we can to support it.

Senator HAYAKAWA. Thank you.

Senator Biden is on his way here to ask a question. I have to be elsewhere pretty soon. So I will give my closing remarks without closing the meeting. I would like to say a few more words on China.

Insofar as Taiwan is concerned, there are two issues of major concern to us, I believe. We must assure that Taiwan has a sufficient defense capability as mandated by the Taiwan Relations Act. Nothing must be allowed to interfere with this. Second, we must recognize that the honor of the United States is involved in our relations with Taiwan. Our history will not let us escape this and political expediency cannot be allowed to undermine our honor, or we can only suffer in the long run.

Having said this about Taiwan, let me turn for a moment to China. It is my conviction that the American people in great numbers value our relationship with China and wish to see that relationship expand on a mutually beneficial basis. We as a great power—especially as a great power—cannot ignore 1 billion people—one quarter of the Earth's population—simply because they do not at the moment represent a major market for us or because their military forces are not now capable of a significant threat to our interests around the world.

In the longer run, we would be judged as negligent of our responsibilities to the American people if we do not provide now for a satisfactory relationship with China and its varied and talented people and its fantastic history and culture.

It is your challenging task, Mr. Wolfowitz, to develop this relationship with China, to preserve and protect U.S. interests in the Pacific area, and thus to promote peace, stability and prosperity for all the peoples of the Pacific basin, including most especially the American people.

I look forward to continued involvement in this area and I hope we have the opportunity to confer on these and other issues of importance to the Americans in the months and years to come. I wish you well as you take up your new and challenging duties.

Already I think there is more trade across the Pacific than there is across the Atlantic; isn't that the case?

Mr. WOLFOWITZ. That has recently become the case, Senator; yes.

Senator HAYAKAWA. So San Francisco is a more important part than New York? [Laughter.]

Mr. Wolfowitz, we appreciate your great candor and thoughtful responses to our questions. I shall recommend to the committee at its business meeting Tuesday that it report your nomination favorably to the floor and I shall work with the leadership to insure that the Senate considers the nomination promptly.

I will excuse myself at the moment and let us stand in recess until Senator Biden arrives. He has further questions.

Mr. WOLFOWITZ. Thank you very much, Senator.

Senator HAYAKAWA. Thank you, very much, Mr. Wolfowitz. I wish you well.

[Recess.]

Senator BIDEN [presiding]. The hearing will come to order. I appreciate your putting up with our disjointed schedule here with one Senator off to another meeting and my coming from an Intelligence Committee meeting. You have been formally welcomed, I am sure. I welcome you again. I have had the occasion to meet you long before you were in the quagmire of administration politics, that is, being a bureaucrat like me and everyone else up here.

I have three questions and I apologize if they are repetitious because I don't know what has been asked of you thus far. If they are, just tell me and I will refer myself to the record.

My first question is, how important to the United States are good and, I emphasize, improving relations with China, with the People's Republic of China? How critical do you see that in the matrix of American foreign policy?

Mr. WOLFOWITZ. I think they are very important, Senator. I have said something about this already. I think it is worth elaborating. We talked quite a bit earlier about the importance of China in a kind of strategic sense, to use that word that people throw around a lot.

China is important to our international interests and particularly in the Asian region. But at times perhaps we become preoccupied with that side of it and forget the importance of trying to build for the long run. In fact, Senator Hayakawa said it very well in his closing remarks, we must build for the long run relationship with this country, which as we say over and over again and it remains true each time we say it, has more than a billion people and a quarter of the world's population. Even in its present state of development, it is a major factor on the world scene.

But we should be building relations, looking not to just this year and next year, but to the next century, recognizing that there are deep differences between us, especially political and economic differences. But it is important within those differences, working with those differences, to build, I think, closer economic relations and closer cultural relations.

Senator BIDEN. If I could pursue that a little bit more. If you were able by the stroke of your pen to set out what role the People's Republic of China would play in the Pacific basin and in South Asia, as well as Southeast Asia, what role would that be? What kind of force, political, economic, military, do you see the People's Republic of China in the near term to be in that whole region of the world? What is the most constructive role from a U.S. policy perspective China could be adopting?

Mr. WOLFOWITZ. To give you a short answer, I think the thing that is clear is that if one compares the kind of role China played in the 1950's and the better part of the 1960's and the role they are playing today, one can see the difference between a China constructively engaged in Asia and contributing to an environment in Asia where peaceful progress can take place, and a China that is engaged in hostile behavior toward the United States and our friends.

Senator BIDEN. Give me an example of some of the constructive things you think China is engaged in now?

Mr. WOLFOWITZ. One could go through a list of some of the things they did in the past that they don't do now. I think the region is much better off because they have stopped. I think that China's whole relation with the ASEAN countries over the recent year has been a constructive and positive one. They share a common concern about Vietnamese intentions and Vietnamese occupation of Kampuchea, and I think that's a crucial issue to that region.

Senator BIDEN. There is a great deal of discussion, in light of the new government in Japan, as to whether or not Japan, going into the 21st century, will be in a military sense a different Japan than entered the postwar period. Obviously we imposed a constitution upon Japan, but there is a good deal of ferment not only in this country but in Japan about the future role of Japan in terms of meeting the military responsibilities and obligations of the free world and the Pacific basin.

How do you think the debate in Japan and what I predict will be a growing debate in this country over the next 3 or 4 years about what Japan's role should be militarily, how much impact will that have on China, Chinese policy in the basin but also United States-Chinese policy?

Mr. WOLFOWITZ. There is a lot in that question. I would say, particularly with respect to the future of our relations with Japan and the debate about the future of our relations with Japan and the debate about the future of that relationship, that there is a lot of growth that can be envisioned and, in fact, we would like to see. It is also terribly important, I think, to take account of what a remarkable relationship it has been. Particularly if you look at it in a historical perspective.

Senator BIDEN. I agree. That's why I asked the question. To me it has been the most astounding thing, it has been remarkable. Five years ago I had the pleasure of being in one of the first delegations to the PRC after normalization with senior members of the Senate and spent about 2 hours with Deng Xion Ping, and Japan was discussed at length, and not only in a conciliatory way but in a very upbeat way.

On the way back we stopped and spent 3 hours with the Japanese prime minister and it was the same very positive attitude, almost anxious about our normalization and just very upbeat. But I sense a real, deep anxiety on the part of the PRC about the direction that they

fear Japan may move, whether Japan will reestablish its historical "role" in the region, which in my judgment the PRC would be very frightful of.

I just wonder whether you can discuss this with me a little bit, since just discussion of an altered role for Japan adopted by the Japanese seems to me to be almost enough to impact upon that somewhat miraculous relationship that has existed in the past several years.

Mr. WOLFOWITZ. Also, sweeping problems under the rug and ignoring them too long can have an impact too. I think it is important to address them in a responsible way that does keep perspective on both sides.

I think we talked earlier before you came about the concerns of some other Asian countries that closely parallel China's, but if you look at present day Japan there is absolutely no basis for that fear in anything one sees in Japan today. That doesn't make the fear go away. But I think the way that one deals with that is, in fact, by continuing to promote responsible relations among the Asian countries, and this is really crucial, by keeping the United States engaged because throughout Asia there is a sense that a stronger Japan is fine as long as the United States is there. We have an absolutely crucial role to play and we have to take account of that.

Senator BIDEN. Shifting gears, because it all goes together in my thinking—I am probably a victim of my academic background of the 1960's where an inordinate amount of focus was directed to the Sino-Soviet relationship, keeping the pulse of that relationship as if it were the key to all future designs made by the United States in almost every part of the world.

And obviously Brezhnev, prior to his death, and Andropov recently have signaled in my view eagerness for a rapprochement of some kind. How sincere is open to question, but they have made gestures that were uncharacteristic of the Soviet leadership in the previous 10 years. And how likely do you think there is to be a positive Chinese response to those gestures that were made, and I suspect will continue to be made in the short term?

And second, how will the reexamination of Japan's role impact, if at all, on Chinese willingness to seek to grab the wreath that is being held out by the Soviets?

Mr. WOLFOWITZ. If one stays in the realm of gestures, one can say there have been gestures on both sides. The real question is, What might come beyond gestures? I think there may have been, as you noted, sort of an exaggeration the other way in thinking about Sino-Soviet relations 10 years ago.

I find sometimes there is an exaggeration just now in the reverse direction as though somehow suddenly they have kissed and made up. But it remains to be seen what happens, and as Secretary Shultz has said, if the net result of all of this is real deeds and leads to Vietnamese withdrawal from Kampuchea, or a Soviet withdrawal from Afghanistan, that would be quite remarkable and quite positive.

I think the essential thing to remember is that most of all, one should not exaggerate the influence of any outside country on those relations. China in her situation and with the kind of threats she faces from the Soviet Union, has a lot of her own calculations to make about her relations no matter what we or Japan do. I think it is important

for us to watch developments closely, and to consult very closely with our friends and allies, especially those in Asia who could be affected by those developments.

I guess I could say finally if you go back to the exaggerations of the 1960's that you refer to, we shouldn't lose our sense of proportion and forget that the most important thing we have going for us are our allies, close friends, and we have to keep those relations strong.

Senator BIDEN. You have a steep and respected background in the policy planning and knowledge of the strategic word, even though you deny knowing what it means.

Mr. WOLFOWITZ. I have my definition, I find everyone else's is different.

Senator BIDEN. Would you characterize for me the PRC's present military capability?

Mr. WOLFOWITZ. It is hard to think of a brief characterization.

Senator BIDEN. You can make it long if you would like.

Mr. WOLFOWITZ. I think again it is an area where there is, I suppose, a lot of misunderstanding. It is a country with enormous armed forces if you measure the manpower. If you look at the way they are equipped, it is really fairly primitive on the whole. China's armed strength looks very different, depending on whether you are evaluating it relative to the Soviet Union, where I think China suffers severe weaknesses, or relative to her small neighbors, where China looks like a colossus.

Senator BIDEN. Looks like, but in fact isn't.

Examine it relative to Taiwan?

Mr. WOLFOWITZ. We have been through that exercise.

Senator BIDEN. We have. Give me the bottom line?

Mr. WOLFOWITZ. The bottom line is that we think the present capabilities of Taiwan, given the whole pattern of not just overall Chinese forces but also evidence of Chinese intentions and Chinese deployment in the Taiwan Strait, we believe the balance there meets our requirement under the law to provide Taiwan with sufficient defense capabilities.

Senator BIDEN. Your predecessor, Mr. Holdridge, was on occasion criticized by some as being too pro-People's Republic of China and not sufficiently concerned with Taiwan. Do you believe the policy in the Reagan administration has changed any from the Carter administration as related to Taiwan?

Mr. WOLFOWITZ. I think John Holdridge shares the fundamental view of the President, who has said very clearly that we are not going to abandon our friends on Taiwan. We have made that clear. It is not a policy just of this administration but of preceding administrations, and it is a policy that is enshrined in our law. And I think that commitment remains.

Senator BIDEN. Thank you very much. I am supposed to tell you that Senator Pell's questions for the record will be submitted and there will be others which the staff will provide following the hearing. We would appreciate it if in due time you would be able to respond to those for the record.

Mr. WOLFOWITZ. I will do it as quickly as I can.

Senator BIDEN. Thank you.

[Additional questions and answers follow:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

Question 1. Press reports suggest that China and the Soviet Union may reach agreement on force reduction and/or pullback along the Sino-Soviet border. How do you assess this prospect, and what would be the implications for the United States?

Answer. Clearly Chinese policy toward the U.S.S.R. is not simply a function of its relations with us. Certainly *our* policy toward China takes many other matters into account.

We have seen nothing to confirm reports that the U.S.S.R and China have agreed to pull back and thin out forces along their border, or on any of the other issues important to Beijing. I'm not sure speculation on how far or how fast the Sino-Soviet dialogue will go is particularly useful. The dialogue appears to be in the early stages and there are a large number of long-standing problems between the two countries. We will be watching developments closely.

How such movement might affect U.S. interests, of course, depends on the specifics. And we also have to keep in mind that Sino-Soviet developments may affect the interests of our friends and allies, particularly in Asia. It is even more important now to maintain close communication with those friends and allies.

But, I think we should avoid the temptation of reading into events more than may be there. In general, we would welcome any genuine reduction in regional tensions that lessens global tensions.

Question 2. How would you assess recent Chinese actions in terms of future United States-China relations—in particular, the opening of talks with Moscow, greater material and rhetorical support for North Korea, and disavowals of previous Chinese support for the United States-Japan Security Treaty?

Answer. There have been serious strains in Sino-Soviet relations for many years. It would hardly be surprising for both countries to see it in their interest to reduce bilateral tensions.

The United States has consistently held that if these exchanges and the recent contacts lead to a general improvement in Soviet international behavior, such as a withdrawal of Vietnamese forces from Kampuchea or withdrawal of Soviet troops from Afghanistan, it would be a positive development. While we will be monitoring Sino-Soviet relations closely. our own policy should continue to focus on the proper management of our separate relations with Beijing and Moscow on their own merits.

We have observed no significant increase in China's material assistance to North Korea, although the Chinese do appear to have strengthened their political support in the past year, for example with President Kim Il-sung's visit to Beijing in September. The Chinese have a clear interest in continued peace and stability on the Korean peninsula. I do not believe their renewed political support or limited material assistance of Pyongyang represents a significant change in the threat to the Republic of Korea or to U.S. interests on the peninsula.

There is still some doubt about the accuracy of press reports of Chinese criticism of the United States-Japan Security Treaty. Beijing has generally indicated that it recognizes the need for Japan and others to assist in countering a growing Soviet presence in the area. That position would still appear to reflect Chinas' own interests.

In general, while we may see some changes in Chinese foreign policy as a result of the present Sino-Soviet dialogue. concern about Soviet intentions will be an enduring factor in China's foreign policy and will therefore always be a factor in China's relations with us.

Question 3. Executive-legislative branch consultation on U.S.-PRC relations has been a problem for more than a decade. We have seen some progress in the Executive branch's performance in this area in the last year or so. What do you see as the role of Congress as a partner in the making of U.S. foreign policy? You will undoubtedly be counseled by your aides from time to time that a certain matter is "too sensitive" to share with the Congress. How do you intend to reconcile the need for confidentiality in changes between nations and your obligation to observe the constitutional role of the Congress?

Answer. I definitely want to keep in close touch with the members of the committee and your staff on issues not only of China policy but of U.S. policy for Asia more generally. In addition to constitutional requirements, my own belief is that

U.S. foreign policy is most successful when it is built on a strong base of domestic support and close consultation with Congress is essential in achieving that goal. When classified matters are involved, I am sure that we can continue to find appropriate ways for consulting with the members of the Committee privately or in executive session.

Question 4. The Taiwan Relations Act (TRA) states that the "United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability." Yet the August 17 U.S.-PRC communique indicates that the United States will place limits on arms sales to Taiwan. How is the communique compatible with the law? How do you intend to carry out the law?

Answer. President Reagan made clear in his statement at the time the communique was issued that our policy regarding future U.S. arms sales to Taiwan, set forth clearly in the communique, is fully consistent with the Taiwan Relations Act and that arms sales will continue in accordance with the Act. I support the President's view and will carry out his policy. I am fully aware of the concerns of the Committee and assure you that we intend to consult closely with you.

There is no incompatibility between the communique and the law. The key here is the fact that the United States intention to gradually reduce arms sales, as stated in paragraph 6 of the communique, is premised on statements of China's peaceful policy toward Taiwan, set forth in paragraphs 4 and 5 of the Communique.

In this context, the President concluded that a gradual reduction of arms sales could be justified since, if the military threat to Taiwan diminishes, then Taiwan's need for defense equipment also diminishes. We have the ability to monitor the PRC's actions in this regard, and we will do so including, as Assistant Secretary Holdridge said, the "military situation and the political situation attendant to the Taiwan Strait." If the PRC's "fundamental" commitment to a peaceful solution of the Taiwan question were to change, we would, of course, reassess our own policy.

Question 5. In carrying out the law, will one of the factors in measuring PRC intentions be PRC military capabilities? Do you believe that we should sell Taiwan what is necessary to maintain the current military balance?

Answer. The Taiwan Relations Act provides that ". . . the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability." The President has made it clear that we will do that, and I am in total agreement with that policy. In making a determination as to what constitutes sufficiency, we will naturally take into account all relevant factors including: PRC military production, acquisitions, capabilities, and deployments, and PRC intentions. I will carry out the law and the President's policy fully.

Question 6. What do you believe has been the value of the August 17 communique? How has it achieved its objectives? Will it, in your view, put the question of arms sales to Taiwan on the "back burner?" What has been the Chinese reaction to the recently announced sale of $97 million in military equipment to Taiwan?

Answer. The communique has provided both the Chinese and ourselves with a means of handling the sensitive issue of arms sales to Taiwan in a way that allows us to continue, and hopefully advance, our bilateral relations without compromising important principles on either side.

The 10-month-long negotiating process leading up to the August 17 agreement was difficult for both sides. The fact that an acceptable agreement was reached and signed is itself perhaps the best indication that both sides have an overriding interest in surmounting the obstacle presented by the arms sales issue and moving forward with the more constructive elements of the relationship. The communique also underscores the PRC's intention to pursue a peaceful resolution of the Taiwan issue, and this is a positive step.

The New China News Agency has carried a basic, factual account of the $97 million arms sale to Taiwan. There has been no comment or protest forthcoming from the Chinese Government.

Question 7. What is your view of recent Soviet contacts with South Korea including the visit of a TASS correspondent to Seoul? Is Moscow contemplating normalization of relations with South Korea? How would the Administration react?

Answer. We have not drawn any firm conclusions about the meaning of these recent contacts. However, they do seem to represent at least a modest and posi-

tive step. They may reflect Soviet recognition of the growing importance of the Republic of Korea, both regionally and internationally, including its steadily increasing economic strength and its expanding diplomatic role. We suspect that Moscow, having in mind the necessity to maintain good relations with the North, will proceed cautiously. Thus, normalization of Soviet–ROK relations does not appear likely in the near term, although such a development could help to strengthen stability on the Korean peninsula were it to take place.

Question 8. Given your previous work on United States-Japan defense relations, what approach would you favor the United States adopting toward Japan on defense in light of the Japanese Government's finalization of a new 5-year plan for procurement of new weaponry?

Answer. The United States has been encouraging Japan to build up its self-defense capabilities for several years, and with the dramatic expansion and upgrading of Soviet forces in the Pacific in recent years, the need for this build-up has grown more urgent. We intend to continue firmly, persistently, but quietly to attempt to persuade the Japanese to strengthen their forces and to assume a significantly larger share of the burden of our common defense. We should continue to respect the strongly expressed desires of the Japanese people and government to strictly limit Japan's military role to self-defense and to respect also the concerns and interests of other countries in the region.

Japan's 5-year defense plan allows considerable flexibility for updating and revising force levels and procurement requirements. The plan is reviewed annually, and every third year a new 5-year estimate is produced. We intend to consult closely and intensively with the Japanese before and during these annual reviews to ensure that the Japanese understand our views concerning defense requirements and the importance we attach to achieving an equitable distribution of the mutual security burden.

Question 9. Secretary Weinberger, on his recent trip through Asia, was reported to have heard several Asian expressions of concern about a potential Japanese military build-up. How do you intend to factor in these concerns while at the same time urging Japan to increase its contributions to Western security?

Answer. We are aware of such concerns which were also voiced by Presidents Marcos and Suharto during their recent visits to Washington. Both we and the Japanese have emphasized that the sort of military improvements we have been discussing are purely defensive in nature, in keeping with Japan's accepted roles and missions, and that Japan has no intention to acquire or develop the capability to project military force abroad. The 1,000-mile sealane defense concept, the element of Japan's security policy that seems to cause most concern among neighboring countries, does not envisage a Japanese force that would even be capable of threatening the security of others. In our view, the danger is not that Japan will do so much that it will pose a threat to its neighbors, but that it will not do enough to assure the defense of Japan itself.

We have also stressed to our Asian friends that we do not view a stronger Japan as a substitute for our own presence in the region. Our commitments to the security of the Western Pacific remain as strong as ever, as evidenced by the ongoing program to enhance U.S. forces there.

Question 10. Trade frictions between the United States and Japan seem to be mounting continuously. The lack of progress in the October beef and citrus negotiations is only one source of frustration. The rapidly expanding bilateral trade deficit, the perception that the Japanese market is not fully open to American products, and the imbalance in the yen-dollar relationship are all issues that cause resentment among American business and labor. What is your view of the cause of the trade imbalance? How can we convince the Japanese to open their markets? When does retaliatory protectionism become a real option?

Answer. I don't think anyone doubts that the future of the world trading system is in grave danger. We are experiencing a crisis of confidence in the open trading system from which both Japan and we have derived many benefits.

This Administration believes that the best way to restore the world to economic health is to promote trade with minimal governmental interference in the marketplace. Our policy calls for lowering tariffs, eliminating quotas, opening up government procurement, and reducing government subsidies.

If the world trading system is to be preserved, all of the major trading nations are going to have to shoulder the responsibility equitably. I believe our approach to the Japanese should be to impress upon them that their actions and policies are critical to the survival of the system. I think this message has begun to get

through. At the GATT ministerial, Japan was the only industrialized country to line up with us consistently. (I might add that all the free nations of the Asia Pacific region supported our positions strongly.)

In the bilateral context we have been carrying on trade discussions with the Japanese for the past year and a half. Most recently, USTR has led delegations to Japan on a monthly basis to discuss the implementation of the first two Japanese trade packages and other trade issues. Trade was also an important part of the just concluded United States-Japan Economic Subcabinet consultations. Our discussions have led to results in the areas of customs procedures and standards, two areas which our businessmen find important in improving their ability to do business in Japan.

However, in some cases bilateral talks have not produced results. In these cases there are other avenues which we can use and are using. We now have a case before the GATT on metal baseball bats. Our determination to press this case has resulted in renewed efforts on the part of the Japanese to find an acceptable solution and halt the GATT proceedings. We believe that the GATT can be useful in other problems on leather and some agricultural commodities. We shall push these cases vigorously while at the same time remaining receptive to Japanese proposals which will alleviate the necessity of continuing the GATT actions.

Besides bilateral discussions and the multilateral actions within the GATT, there are a number of potential unilateral actions which are continuously under review within the administration. Section 301 of the Trade Act gives the President wide ranging authority to react to certain types of trade complaints and there is legislative authority for other measures which the United States can use in defense of our markets or against unfair trading practices. These include, but are not limited to, countervailing duties, anti-dumping actions and measures to protect national security industries.

I don't want to give the impression that these actions are in any way sufficient. Much more needs to be done and we intend to continue pressing the Japanese to open access to their market. I can assure you that as Assistant Secretary of State for East Asian and Pacific Affairs, intend to work closely with my colleagues on the trade side both in the Department and elsewhere within the executive branch to see that our objectives are met.

Question 11. Officials of some ASEAN governments believe that a regular U.S. dialogue with Vietnam would aid ASEAN efforts to achieve a negotiated settlement of the Kampuchea question. Would you support or oppose a regular dialogue with Vietnam, perhaps similar to the Warsaw contacts with China from 1955 to 1970?

Answer. We strongly support ASEAN's strategy of isolating and pressuring Vietnam to negotiate a Kampuchea settlement. Diplomatic and economic pressures are having an effect and, if sustained, may lead Hanoi to opt to end its isolation by withdrawing from Kampuchea and agreeing to restore Khmer independence and neutrality. ASEAN governments have made it clear that they welcome our support for their strategy. The Kampuchea problem is not a bilateral issue to be worked out between the United States and Vietnam; it is an international issue. An overwhelming majority of U.N. members, including the United States, support the political resolution for the situation in Kampuchea proposed by the 1981 U.N.-sponsored International Conference on Kampuchea which calls for the withdrawal of all foreign troops and self-determination for the Khmer people. We have channels of communication with Vietnam in our missions in New York, Bangkok and Paris to raise matters of interest at any time.

Question 12. How would you respond to the warnings of some non-executive branch experts that deteriorating internal conditions in the Philippines could produce a major crisis for the United States by the end of the decade unless steps are taken now to reverse the adverse economic and political trends?

Answer. Executive branch experts do not see serious instability in the Philippines as a likely future prospect by the end of the 1980's. Economic conditions are depressed at the moment because of the worldwide recession, high interest rates, and low commodity prices. This should be seen against a background of strong economic growth over the last decade and continuing, though slower, economic growth in the last few years. The Communist New People's Army and the Muslim rebellion in the south are continuing problems, but they do not appear to pose a serious threat to the security of the government for the foreseeable future. This is a problem, however, that we need to monitor closely.

Question 13. Is there any change in the Administration's position that it will not provide arms to the non-Communist Khmer resistance groups? Will the Administration allow third countries to provide U.S.-made or U.S.-licensed weapons to these groups?

Answer. The United States has given political and moral support and humanitarian assistance to the non-Communists and we consult with ASEAN about how we can be of further assistance. We are not considering provisions of military assistance, either directly or through third countries.

Question 14. What was the Administration seeking in recent high-level talks with Indonesian officials on security issues?

Answer. The state visit to Washington of President Suharto in early October enabled us to strengthen the high level policy dialogue with Indonesia. We explained U.S. views and policies on the Soviet military threat to Asia, relations with China, Japan's defense role in Asia, Indochina and Kampuchea, and U.S. support of ASEAN. The discussions also touched on Law of the Sea, including USG acceptance of Indonesia's archipelagic concept together with U.S. navigation and overflight rights. These themes were also touched on during Secretary Weinberger's visit to Jakarta in early November.

We do not seek a formal defense relationship with Indonesia beyond our bilateral assistance program to strengthen its defense posture. We believe the ASEAN countries are the best judges of their own defense and security interests and we will continue to work constructively with them as befits the situation.

Question 15. In both Australia and New Zealand, there have arisen among opposition groups and others questioning of the value of the ANZUS alliance, although there seem to be few responsible people calling for its demise. Do you believe we are seeing the beginning of a new assessment of ANZUS? How can we best retain the confidence of all Australians and New Zealanders that alliance with the United States is in their best interest?

Answer. With regard to both Australia and New Zealand, we have a warm historical closeness based on many factors—not only common security interests, but also economic ties, cultural links, and perhaps most importantly, close personal ties at all levels, official and unofficial. It is no accident that these countries have been among our closest allies throughout the Twentieth Century. I would expect these close relationships, based on our shared values and interests, to continue with any Australian and New Zealand Government no matter what particular differences on specific issues might arise.

Question 16. The question of human rights conditions in East Timor has been raised by some Members of Congress, human rights groups, as well as many in the Western press. In your view, what are the current trends in the East Timor situation?

Answer. There appear to have been improvements in the human rights situation in East Timor during the past year as well as improved international access to the territory, offering better opportunities to monitor actual conditions there. A State Department officer visited East Timor in mid-November, spending 5 days traveling throughout the Province, and was able to confirm human rights progress in a number of areas.

The focus of human rights concerns recently has been Atauro Island, which the Department officer and other foreigners have visited this year. Some 3,700 people are now detained there, but the Indonesian Government has announced its intention to close the detention center as soon as alternate settlement sites for the detainees can be prepared on mainland East Timor. Already some 300 detainees have been resettled in a new village near Cailaco in southwestern East Timor. Assuming these new settlements are properly prepared, we believe the closure of Atauro will represent a major step forward.

Regarding Atauro itself, the ICRC during 1982 began a program of visits to and assistance for the detainees there. Supplementing aid provided by the Indonesian Government, the ICRC program has led to improved food and health conditions on Atauro.

We have less direct information about conditions in prisons elsewhere. The ICRC, however, is conducting a program of prison visits at several places in East Timor. The State Department officer, moreover, visited the Comarca prison in Dili, where inhumane conditions have been alleged, and found no evidence to support such charges. He found conditions at Comarca to compare favorably with those in prisons elsewhere in Indonesia which he has visited.

We are also encouraged by the fact that this year, in contrast to some previous years, the number of allegations of human rights violations in East Timor has

dropped markedly. Indeed, most of the criticism which surfaced during 1982 was based on incidents alleged to have occurred a year or more ago.

Finally, I would note that the gradually improving security situation in East Timor has led the Indonesian Government to turn its attention away from security concerns and toward humanitarian and development questions.

Question 17. Some people outside the Administration have observed that Mr. Holdridge's concentration on China during his tenure as Assistant Secretary resulted in the Defense Department taking the lead role in managing security relations with other East Asian countries. How would you view the proper relationship between State and Defense in this area?

Answer. I believe that existing State/Defense cooperation has been effective in furthering U.S. security objectives in Asia. Our relationship with China has not been conducted at the expense of our relations with allies and friends in the region, a point which we have been careful to make with these countries at periodic intervals.

Our security relationships with our allies and friends in Asia are well established and are continuously reviewed by both the State and Defense Departmetns. From my own experience with Asian security issues, I am well aware that there is a large foreign policy component in most of these issues.

While some routine operational aspects of our Asian security relationships are handled by the Department of Defense, the formulation and execution of overall Asian strategy and policy is part of the foreign policy responsibility of the Secretary of State. Important strategic issues and decisions are reviewed by the interagency review process as required and, of course, the final determination of policy is the responsibility of the President.

Question 18. Those who advocate the export of Alaska oil to Japan—mostly the Japanese—never mention the adverse impact such an export would have on our relations with another country—Panama. Late last year, the Trans-Panama Pipeline, a $265 million undertaking, began operation. Panama derives revenues both from oil moved through this pipeline as well as U.S. tankers carrying Alaskan oil though the canal. Permitting Alaskan oil to be exported would reduce or eliminate these sources of funds.

Has the State Department studied the impact of exporting Alaskan oil on Panama's economy? If so, would you please submit a copy for the record.

(If not, I hope you would conduct such a study before proposing any change to existing law and provide a copy to the Committee.)

Answer. To the best of my knowledge, the State Department has not conducted a study of the effects on Panama's economy of exports of Alaskan oil. Those effects would need to be considered in any decision on the advisability of exporting Alaskan oil and I would be pleased to submit a copy of any such report to the SFRC.

Question 19. Although Congress has repeatedly expressed the national policy that Alaska oil be used domestically, from time to time it is suggested—mostly by the Japanese—that we permit Alaska oil to be exported to Japan. However, a year ago the Cabinet Council on Natural Resources concluded that exporting Alaska oil would jeopardize billions in investment and result in substantial unemployment. At this time of deep recession, don't you agree those arguments against exporting Alaska oil are even more compelling?

Answer. Before the administration would decide to pursue the idea of export of Alaskan oil, it would be vital to review the total economic picture including investment opportunities or jobs that may be lost.

Question 20. It is occasionally suggested that permitting Alaska oil to be exported would improve America's balance of trade. But, it seems to me that while Japan might purchase Alaska oil, we would have to purchase additional foreign oil to make up for the loss of Alaska oil. American dollars would also be spent on foreign-flag transportation. Therefore could you please explain to me how exporting Alaska oil would improve America's overall balance of trade?

Answer. The Administration has not reached any conclusion regarding the advisability of exporting Alaskan oil nor have we made any recommendations. If we were simply to substitute foreign oil for Alaskan oil, depending on the exact prices and shipping companies involved, there might not be a net balance of trade effect. However, to the extent that we export oil in excess of our immediate domestic needs or ability to process or transport, the sale of that oil, plus any revenues generated by shipping or insuring it through American firms, would improve the nation's current balance of payments.

Question 21. It is sometimes said that we should permit Alaskan oil to be exported to Japan in order to reduce our bilateral balance of trade. But of course, replacing Alaskan oil with other foreign oil would do nothing to improve our worldwide balance of trade. Moreover don't you agree that this artificial, statistical, reduction in the United States-Japan imbalance would simply reduce pressure on Japan to lower its barriers to U.S. manufactured and agricultural exports?

Answer. This administration is committed to reducing barriers to U.S. exports regardless of the balance of trade. We have trade surplus with Western Europe but argue for equitable market access there as we do in Japan, where we have a trade deficit. I can assure you that a reduction in the United States-Japan bilateral trade deficit would in no way diminish the importance that I attach to that risk. It would not change our basic policy nor should it alleviate pressure on the Japanese to open their markets.

Question 22. There are those who claim that permitting Alaskan oil to be exported to Japan would not jeopardize our energy security because we could write into any contract a clause permitting such exports to be terminated in the event the United States was faced with a supply interruption. Isn't this an overly legalistic view of the situation since the political realities would make it extremely difficult to cease exporting oil to Japan at a time of crisis?

Answer. At a time of crisis we are going to be engaged in almost continuous consultations with our allies as to how we will manage the situation. Even in the best of all possible worlds, there would only be a small fraction of Japan's oil requirements that would come from Alaska, and then only for the time period that these oil deposits last. In the course of a crisis, any reallocation of overall oil supplies would only be done in the context of careful consultations among all the parties involved.

Question 23. We are currently, and rightfully, spending billions to fill our Strategic Petroleum Reserve and have now stored about 70 days worth of oil imports. Wouldn't public support for such multi-billion dollar expenditures be undermined if at the same time the United States exported oil from a secure and readily available domestic reserve of oil already in the ground?

Answer. It is true that the opportunity cost of keeping the oil in the ground as a reserve versus the additional economic benefits gained by exporting it would have to be examined. If the export of Alaskan oil were to require us to spend more to meet our vitally important goals for the SPR, that would be a serious argument against such an arrangement.

Question 24. The Administration has pledged to quickly develop America's domestic energy resources such as the outer continental shelf and our huge coal reserves. Don't you agree that it would be difficult for the public to support such development if at the same time the government showed that it does not need the domestic energy it already produces by permitting Alaskan oil to be exported?

Answer. The basic economic argument in favor of exporting Alaskan oil to Japan is that Japan is much closer to Alaska than the refineries in the United States which are capable of handling the heavy Alaskan crude. Thus, millions of dollars in transportation costs can be saved by selling some Alaskan oil to Japan and using oil and other energy resources that are closer to American markets and refineries. This would include offshore and Carribean oil, and of course, domestic coal.

[Whereupon, at 11:30 a.m., the committee adjourned, subject to call of the Chair.]

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